

(Unaudited)

July 11, 2017

MORITO CO., LTD.
Financial Statement (Unaudited)
For the Second Quarter of the Fiscal Year ended November 30, 2017
(Translated from the Japanese original)

Corporate Information

Code : 9837 Listings in First Section of the Tokyo Stock Exchange

(URL [http : www.morito.co.jp/english/index.html](http://www.morito.co.jp/english/index.html))

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Representative Director and President

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Scheduled date of filing of Quarterly Report

July 14, 2017

Scheduled date of dividend payment:

August 9, 2017

Supplementary explanation material for quarterly financial results:

Yes

Presentation meeting for quarterly financial results:

Yes

(Amounts rounded down)

1. Consolidated Financial Results for the Second Quarter of Fiscal Year 2017(December 1, 2016 through May 31, 2017)

(1) Consolidated Financial Results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q of FY 2017	20,057	Δ1.4	659	Δ6.6	673	16.1	3,217	804.6
2Q of FY 2016	20,332	Δ5.1	706	Δ19.2	580	Δ43.5	355	Δ31.1

(Note) Comprehensive income : 4,323million yen (—%) (2Q of FY 2017) Δ641million yen (—%) (2Q of FY 2016)

	Net income Per share	Fully diluted net Income per share
	Yen	Yen
2Q of FY 2017	115.26	—
2Q of FY 2016	12.47	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
2Q of FY 2017	43,578	32,593	74.7
FY 2016	40,853	29,260	71.6

(Reference) Equity capital : 32,569million yen (2Q of FY 2017) 29,246 million yen (FY 2016)

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total (Annual)
	Yen	Yen	Yen	Yen	Yen
FY 2016	—	8.00	—	9.00	17.00
FY 2017	—	14.00			
FY 2017 (Forecast)			—	14.00	28.00

(Note) Revision of consolidated earnings forecast to the latest announcement : None

3. Consolidated Forecast for FY 2017 (December 1, 2016 through November 30, 2017)

(Percentages represent changes from corresponding period of previous year)

	Net Sales		Operating income		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	43,000	7.3	1,800	1.8	1,700	3.3	3,000	154.0	105.44

(Note) Revision of consolidated earnings forecast to the latest announcement : None

***Notes**

(1) Changes of important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation) : None

Newly included : None

Extended company : None

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies caused by revision of accounting standards : None

(ii) Changes in accounting policies other than (i) : Yes

(iii) Changes in accounting estimates : None

(iv) Restatements : None

(Note) For details, please refer to 'Matters Concerning Summary Information (Note) (3) Changes in accounting policy, Changes in accounting estimates and Revision restated' on page 5 of the Attachment.

(4) Number of outstanding shares (common shares)

(i) Number of outstanding shares, including treasury shares at end of period:

30,800,000 shares (as of May 31, 2017)

30,800,000 shares (as of November 30, 2016)

(ii) Number of shares of treasury stock at end of period:

3,135,800 shares (as of May 31, 2017)

2,349,000 shares (as of November 30, 2016)

(iii) Average outstanding number of shares during the period:

27,915,850 shares (The 2Q of FY 2017)

28,520,205 shares (The 2Q of FY 2016)

*This financial summary does not need to undergo an audit.

***Disclosure and other special notes regarding performance forecasts**

The forecast in this statement is based on information available to management as of the date on which these performance-related figures were disclosed, and various factors may cause actual results to differ from these forecasts. For issues to keep in mind when using the forecasts and criteria conditioned upon the forecasts, please refer to "1. Qualitative Information for the Period under Review (1) Business Performance" on page 4

We have also introduced "Stock Granting Trust (J-ESOP)" and "Board Incentive Plan (BIP)". Consequently, the shares held by Trust and Custody Service Bank, Ltd. and The Master Trust Bank of Japan, Ltd. are included in the treasury shares.

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1. Qualitative Information for the Period under Review

(1) Business Performance

In the Second quarter (From 1st December, 2016 to 31st May, 2017) of the fiscal year ended November 30th, 2017, the Japanese economy has shown signs of modest recovery by improving employment situation and income. However, the economy situation was still unstable due to uncertain economic situation of emerging countries and risk of rapid exchange fluctuations in unstable global market.

In the global economy, economic recovery in the US continues due to the increase in consumption and capital investment was caused by economic policies of new government. However, EU economy was also uncertain due to Brexit and debt problem of major Banks around EU.

In such a situation, our group is accelerating a growth strategy by the development of value-added Japanese items, expansion of a global sales channel under 7th mid-term management plan, and will promote the realization of value creation which the era seeks, expand our business in not only existing market such ASEAN, china, western, but also in untapped market.

As a result, in the current quarterly performance reaches net sales ¥20,057million (decreased by 1.4% from a year earlier), operating income ¥659 million (decreased by 6.6% from a year earlier), ordinary income ¥673 million (increased by 16.1% from a year earlier), net income ¥3,217 million (increased by 804.6% from a year earlier).

The exchange rate used for the oversea subsidiaries' consolidated financial statement of the current quarter end as below:

	1Q Oct-Dec	2Q Jan-Mar
USD	109.43 (120.54)	113.61 (112.69)
EUR	117.86 (131.67)	121.04 (127.57)
RMB	15.99 (18.34)	16.56 (17.39)
HKD	14.11 (15.55)	14.64 (14.53)
TWD	3.45 (3.68)	3.66 (3.50)
VND	0.0048 (0.0053)	0.0050 (0.005)
THB	3.09 (3.35)	3.24 (3.20)

*() is the exchange rate of FY2016.

*We have changed the method which is that Income and Expense in overseas subsidiaries has been converted by average number of exchange rate into Japanese yen is applied from the first quarter of this fiscal year. Please refer to "2. Matters Concerning Summary Information, (3) Changes in accounting policy, Changes in accounting estimates and Revision restated" on page 5 of the Attachment.

Segment information as below

[Japan]

As for the apparel division, sales of the accessories for uniform/working wear and ladies wear were increased, however sales of the accessories for sports and outdoor apparel manufacturer which was strong in same period a year earlier were decreased.

In the consumer product division, sales of accessories for health-related items, automobile interior components, rental and cleanup of kitchen supplies were increased, but sales of the accessories for shoes and video equipment were decreased.

As a result, net sales were ¥13,883 million (increased by 0.9% from a year earlier).

[Asia]

As for the apparel division, sales of the accessories for US and EU apparel manufacturers in Hong Kong were decreased.

In the consumer product division, sales of the automobile interior component for Japanese auto makers in Shenzhen, and sales of accessories for video equipment in Thailand were decreased.

As a result, net sales were ¥3,423 million (decreased by 5.4% from a year earlier) including effect of Japan yen appreciation.

[Europe and the U.S.]

As for the apparel division, sales of the accessories for domestic market in the U.S. were decreased.

In the consumer product division, sales of automobile interior article for Japanese automobile manufacture in the U.S. and sales of the accessories for video equipment were decreased.

As a result, net sales were ¥2,749 million (decreased by 7.0% from a year earlier) including effect of Japan yen appreciation.

(2) Forecast of Consolidated Business Results and Other Forward-looking Information

Currently, there has been no change in the consolidated forecast of FY2017.

2. Matters Concerning Summary Information

(1) Changes in Important Subsidiaries during the period under Review

Not applicable

(2) Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statement

Not applicable.

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Revision Restated

Changes in the method of foreign currency conversion for Income and Expense in overseas subsidiaries
Income and Expense in overseas subsidiaries has been converted by an exchange rate as of accounting date into Japanese yen up to now. However, the method, which is that Income and Expense in overseas subsidiaries has been converted by average number of exchange rate into Japanese yen, is applied from the first quarter of this fiscal year. The purpose for this change was to take a financial result of overseas subsidiaries more appropriately in consolidated accounting, because it will be becoming more important for consolidated accounting.

As a result, retroactive application was not implemented since the effect on the second quarter of previous year and the term to beginning of this fiscal year caused by this change was minor.

(4) Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Statement No.26 of March 28, 2016), have been applied from the first quarter of the fiscal year under review.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	FY 2016 (As of November 30, 2016) Thousands of yen	FY 2017 (As of May 31, 2017) Thousands of yen
Assets		
Current assets		
Cash and deposits	9,442,122	12,569,495
Notes and accounts receivable	10,583,460	10,106,088
Inventory	4,034,245	4,286,176
Other current assets	1,097,177	1,068,008
Allowance for doubtful accounts	△29,950	△31,878
Total current assets	25,127,055	27,997,889
Fixed assets		
Tangible fixed assets		
Land	3,224,579	2,624,954
Other tangible fixed assets	3,151,432	3,199,534
Total tangible fixed assets	6,376,011	5,824,488
Intangible fixed assets		
Goodwill	3,000,353	3,151,547
Other Intangible fixed assets	1,239,174	1,326,150
Total intangible fixed assets	4,239,528	4,477,698
Investments and other fixed assets		
Investment securities	4,055,364	4,189,570
Net defined benefit asset	221,830	223,718
Other fixed assets	890,628	919,546
Allowance for doubtful account	△74,988	△70,181
Total investments and other fixed assets	5,092,834	5,262,654
Total fixed assets	15,708,375	15,564,840
Deferred assets	18,205	16,104
Total assets	40,853,636	43,578,834

	FY 2016 (As of November 30, 2016) Thousands of yen	FY 2017 (As of May 31, 2017) Thousands of yen
Liabilities		
Current liabilities		
Notes and accounts payable	4,262,005	4,096,400
Short-term loans payable	180,000	130,000
Current portion of bonds	400,000	400,000
Current portion of long-term debt	375,396	348,779
Accrued tax payable	379,220	726,143
Reserve for bonuses	175,722	139,789
Reserve for director's bonuses	79,232	57,688
Other current liabilities	1,465,489	1,123,384
Total current liabilities	7,317,066	7,022,186
Fixed liabilities		
Bonds payable	1,400,000	1,200,000
Long-term debt	161,081	—
Provision for retirement benefit by stock	17,375	26,554
Provision for director's retirement benefit	30,433	37,333
Provision for director's retirement benefit by stock	35,059	43,305
Provision for environmental measures	18,133	20,120
Net defined benefit liability	918,021	925,199
Other fixed liabilities	1,695,603	1,710,722
Total fixed liabilities	4,275,706	3,963,235
Total liabilities	11,592,772	10,985,421
Net Assets		
Shareholders' equity		
Capital	3,532,492	3,532,492
Capital surplus	3,498,724	3,498,724
Retained earnings	23,966,197	25,020,578
Treasury stock	△1,230,960	△1,970,204
Total shareholders' equity	29,766,453	30,081,590
Other comprehensive income		
Valuation difference on available-for-sale securities	1,336,046	1,404,655
Deferred gains or losses on hedges	861	64
Difference in revaluation of land	△1,280,438	621,625
Foreign currency translation adjustment	△463,484	557,244
Remeasurement of defined benefit plans	△112,982	△95,348
Total other comprehensive income	△519,998	2,488,241
Subscription rights to shares	14,408	23,581
Minority interests	—	—
Total net assets	29,260,863	32,593,413
Total liabilities and net assets	40,853,636	43,578,834

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Quarterly Consolidated statements of income
The Second Quarter accounting period

	FY 2016 (December 1, 2015 through May 30, 2016) Thousands of yen	FY 2017 (December 1, 2016 through May 30, 2017) Thousands of yen
Net sales	20,332,540	20,057,043
Cost of sales	15,067,388	14,681,976
Gross profit	5,265,151	5,375,146
Total selling, general and administrative expense	4,558,884	4,715,146
Operating Income	706,266	659,919
Non-operating income		
Interest received	11,930	11,908
Dividends received	38,790	32,424
Rent on real estate	38,545	25,869
Equity in earnings of affiliates	26,828	32,093
Other non-operating income	10,598	32,659
Total non-operating income	126,693	134,956
Non-operating expenses		
Interest paid	9,468	3,740
Cash discount on sales	43,753	40,827
Foreign Exchange Loss	150,034	11,121
Others non-operating expense	49,409	65,511
Total non-operating expense	252,666	121,201
Ordinary Income	580,293	673,674
Extra ordinary income		
Gains on sales of fixed assets	7,521	3,291,757
Gains on sales of investment securities	21,712	—
Total extra ordinary income	29,234	3,291,757
Extra ordinary loss		
Loss on sales of fixed assets	7,138	576
Loss on disposal of fixed assets	1,566	52,068
Loss of business restructuring	—	8,963
Loss on golf membership rights	—	700
Total extra ordinary loss	8,704	62,308
Net income before taxes and other adjustment	600,823	3,903,124
Corporate, inhabitant and business taxes	404,839	719,711
Adjustments to corporate and other taxes	△159,686	△34,157
Total income taxes	245,152	685,554
Net income	355,671	3,217,570
Profit(Loss) attributable to non-controlling interests	—	—
Profit(Loss) attributable to owners of parent	355,671	3,217,570

Consolidated Statements of Comprehensive Income

	FY 2016 (December 1, 2015 through May 30, 2016) Thousands of yen	FY 2017 (December 1, 2016 through May 30, 2017) Thousands of yen
Net Income	355,671	3,217,570
Other comprehensive income		
Unrealized gain(loss) on available-for-sale securities	Δ278,150	68,609
Deferred gains or losses on hedges	160	Δ796
Land revaluation difference amount	20,050	—
Foreign currency translation adjustment	Δ724,016	1,020,729
Adjustments to retirement benefit	Δ15,272	17,634
Total other comprehensive income	Δ997,227	1,106,176
Comprehensive income	Δ641,556	4,323,746
(Breakdown)		
Comprehensive income attribute to the parent	Δ641,556	4,323,746
Comprehensive income attribute to the minority shareholders	—	—

(3) Consolidated of Cash Flows

	FY 2016 (December 1, 2015 through May 31, 2016) Thousands of yen	FY 2017 (December 1, 2016 through May 31, 2017) Thousands of yen
Cash flows from operating activities		
Income (loss) before income taxes	600,823	3,903,124
Depreciation of amortization	334,236	327,292
Depreciation of goodwill	113,774	112,998
Change in provision for bonus	△56,470	△41,387
Changes in employee's retirement benefit asset	△104	8,613
Changes in employee's retirement benefit liability	8,630	22,174
Changes in director's retirement benefit liability	2,750	6,900
Changes in provision for employee's retirement stock benefit	7,860	9,178
Changes in provision for director's retirement stock benefit	5,683	8,246
Change in allowance for doubtful accounts	△18,914	△4,983
Interest income and dividends income	△50,721	△44,333
Interest paid	9,468	3,740
Equity in net income of affiliates	△26,828	△32,093
Gains from sale of fixed assets	△383	△3,291,180
Gains from sale of investments	△21,712	—
Loss on disposal of fixed assets	1,566	52,068
Loss on business restructuring	—	8,963
Change in account receivable	281,244	724,247
Change in inventory	△189,754	△67,092
Change in account payable	59,992	△342,095
Others	59,288	△277,055
Subtotal	1,120,430	1,087,326
Proceed from interest and dividends income	51,251	56,773
Payment of interest	△14,803	△6,685
Payment of corporate tax	△601,610	△391,403
Net cash(used in)/provided by operating activities	555,268	746,011
Cash flows from investing activities		
Decrease in time deposit	△266,893	△243,126
Increase in time deposit	150,201	190,519
Purchase of investment securities	△18,367	△18,527
Increase of sale for investment securities	31,312	117,473
Purchase of tangible fixed assets	△158,665	△278,513
Proceeds from sale for tangible fixed assets	2,760,336	3,900,406
Purchase of futile current assets	△14,206	△65,907
Collection from loans receivable	43,469	25,134
Payments of loan receivable	△34,780	—
Others	△3,325	△7,914
Net cash provided by (used in) investing activities	2,489,082	3,619,544
Cash flows from financing activities		
Changes in short-term debt	△4,700,000	△50,000
Repayments of lease obligations	△88,311	△68,956
Repayments of long-term loans payable	△187,698	△187,698
Proceeds from issuance of bonds	1,978,993	—
Redemption of bonds	—	△200,000
Proceeds from sale from treasury stock	1,412	—
Purchase of treasury stock	△276,965	△739,244
Payments of dividends	△220,073	△261,124

(Unaudited)

Net cash used in financing activities	Δ3,492,643	Δ1,507,024
Effects of exchange rate on cash and cash equivalents	Δ338,660	263,775
Net increase (decrease) in cash and cash equivalents	Δ786,952	3,122,307
Cash and cash equivalents at beginning of year	8,858,896	8,322,707
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	Δ30,508	—
Cash and cash equivalents at end of quarter	8,041,435	11,445,014

(4) Notes regarding Quarterly Consolidated Financial Statements

[Notes on assumption of going concern]

Not applicable.

[Notes on a Significant Change in Shareholders' Equity]

Not applicable

[Segment Information]

1. The Second quarter of FY 2016 (December 1, 2015 through May 31, 2016)

The information on net sales, income or loss, assets and other items by reportable segment

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales						
Sales to external customers	13,758,499	3,617,989	2,956,051	20,332,54	—	20,332,540
Inter segment sales and transfer	1,208,528	958,655	24,631	2,191,815	Δ2,191,815	—
Total	14,967,027	4,576,644	2,980,683	22,524,356	Δ2,191,815	20,332,540
Segment income	534,762	168,699	144,065	847,527	Δ141,260	706,266

(Notes)

1. Adjustment of Δ¥141,260 thousand includes Δ¥160,500 thousand -corporate expenses that are not distributed to each reportable segment and other ¥19,239 thousand.
2. The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the quarterly consolidated profit and loss statement.

2. The Second Quarter of FY 2017 (December 1, 2016 through May 31, 2017)

The information on net sales, income or loss, assets and other items by reportable segment

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales						
Sales to external customers	13,883,590	3,423,616	2,749,836	20,057,043	—	20,057,043
Inter segment sales and transfer	1,136,080	1,197,574	30,739	2,364,394	Δ2,364,394	—
Total	15,019,670	4,621,190	2,780,576	22,421,437	Δ2,364,394	20,057,043
Segment income	567,395	172,118	70,638	810,152	Δ150,232	659,919

(Notes)

1. Adjustment of Δ¥150,232 thousand includes Δ¥154,263 thousand-corporate expenses that are not distributed to each reportable segment and other ¥4,030 thousand.
2. The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the consolidated profit and loss statement.